

REMARKS

Claims 1-35 are pending in the instant application.

Claims 1-23 are original claims.

Claims 24-33 were previously presented in a preliminary amendment.

Claims 34 and 35 are newly presented herein.

RESPONSE TO CLAIM REJECTIONS UNDER 35 U.S.C. § 101

Claims 1-15 stand rejected under 35 U.S.C. § 101 as being directed towards non-statutory subject matter. The Examiner has not rejected, under this statute, claims 24-29 which depend either directly or indirectly from either claim 1 or 13. The Examiner states:

Claims 1-15 are rejected under 35 USC 101 as the claimed invention is directed to non-statutory subject matter. For a claim to be statutory under 35 USC 101 the following two conditions must be met:

- 1) In the claim, the practical application of an algorithm or idea results in a useful, concrete, tangible result, AND
- 2) The claim provides a limitation in the technological arts that enables a useful, concrete, tangible result.

As to the technology requirement, note MPEP Section IV 2(b). Also note In re Waldbaum, 173USPQ 430 (CCPA 1972) which teaches “useful arts” is synonymous with “technological arts”. In Musgrave, 167USPQ 280 (CCPA 1970), In re Johnston, 183USPQ 172 (CCPA 1974), and In re Toma, 197USPQ 852 (CCPA 1978), all teach a technological requirement.

The invention in the body of the claim must recite technology.
If the invention in the body of the claim is not tied to technological art, environment, or machine, the claim is not statutory. Ex parte Bowman 61USP12d 1665, 1671 (BD. Pat. App. & Inter. 2001) (Unpublished).

Applicant respectfully submits the Examiner has improperly rejected claims 1-15 by citing an unpublished, nonprecedential Board of Patent Appeals and Interference decision, in *Ex parte Bowman*. The Examiner uses criterion for patentability that is not specified in the U.S. Constitution, statutes, case law or regulations. Applicant submits that there is no basis in law for the requirement that a claim must recite a computer in the body of the claim. Otherwise, no claim could have been patentable prior to the invention of the computer. Applicant's claims properly recite a series of steps to be performed resulting in a useful, concrete, and tangible result. Also, applicant's claimed invention is disclosed as being used with computers. Therefore, applicant respectfully submits that The Examination Guidelines for Computer-Related Inventions published by the U.S. Patent and Trademark Office apply to applicant's claims. Applicant's claims are proper and comply therewith and the reliance on *Ex parte Bowman* is improper.

Applicant submits that claims 1-15 clearly recite statutory subject matter and the rejection of claims 1-15 under 35 U.S.C. § 101 should, therefore, be withdrawn.

RESPONSE TO CLAIM REJECTIONS UNDER 35 U.S.C. § 103

Claims 1-33 stand rejected as being unpatentable over Kochanek et al., Financial Accounting ("Kochanek") in view of U.S. Patent No. 6,105,008 to Davis ("Davis").

In this rejection, the Examiner has rejected all of the claims over selected pages from a textbook on "Financial Accounting" ("Kochanek") in view of a patent ("Davis") directed to a system for using a "smart card" for making internet purchases. In contrast, the present invention is directed to a system and method of adjudicating transactions for payment from a participant account. Claims 2 and 13-

15 include that the accounts are “flexible spending accounts”. Claims 5, 12, 20 and 26 include the use of a debit-card.

In his rejection, the examiner indicates Kochanek discloses, among other things, screening transactions based upon a merchant code; and sponsor group accounts relating to a plurality of participant flexible spending accounts. The Examiner further indicates Kochanek does not teach a network or a flexible spending account. The Examiner indicates Davis teaches a pre-determined value smart card that operates over a network that reduces the remaining value based on the value of a transaction using the smart card. Further, the Examiner alleges that because it would have provided a more comprehensive and efficient system of temporary holding accounts and verification of transactions, it would have been obvious to one skilled in the art to have added the teachings of Davis to those of Kochanek and to have added the teaching of Kochanek to those of Davis for the same reasons.

Applicant respectfully submits the Examiner has failed to establish a *prima facie* case of obviousness because the combination suggested by the Examiner fails to teach or suggest all the elements recited in applicant’s claims. The Examiner has also failed to address each of applicant’s claims individually and has ignored features recited in applicant’s claims. Kochanek, contrary to the Examiner’s assertions, does not teach the use of merchant codes or flexible spending accounts. Neither text can be found in the pages cited by the Examiner. If the Examiner is attempting to relate the Debit-Credit-Account Titles on page 60 to merchant category codes, the Examiner is mistaken. The merchant category codes associated with the present invention are used to restrict payment only to qualified healthcare providers as required by the IRS and not as a journal entry for tracking debits or credits to an account. Neither Kochanek nor Davis teach or suggest the use of flexible spending accounts or ways to overcome the problems associated with

the use thereof. Moreover, Davis is directed toward a “stored value” or “smart card” for making internet purchases. Davis, in col. 1, lines 22-27, defines a smart card as “credit card-sized plastic card that includes a semiconductor chip for holding the digital equivalent of cash directly, instead of pointing to an account or providing credits” (emphasis added). There is no account linked directly to the smart card value of Davis. Smart cards are the digital equivalent of cash. In contrast, applicant’s card may be the same size as a “smart card” and read by a card reader, but applicant’s recited card is a “debit-card” that is linked to an account. Davis specifically teaches the use of smart cards for internet purchases which are typically standard goods and services which would have no need for adjudication. In fact, as an electronic substitute for cash, smart cards teach away from adjudication. Applicant respectfully submits there would have been no motivation (other than improper hindsight construction using applicant’s specification as a guide) to modify the basic accounting principles of Kochanek with the teachings of Davis or vice versa. Moreover, even if there were such motivation (which there is not), the resulting combination lacks all of the elements recited by applicant. As such, applicant respectfully requests withdrawal of the outstanding rejection and allowance of claims 1-33 as well as new claims 34 and 35. Claims 34 and 35 further highlight the features of applicant’s invention including the use of a debit-card system and method for processing a transaction of a Flexible Spending Account in which the transaction is initially screened for approval by merchant category codes and then, once approved in the initial screening process, a debit is posted to both a program sponsor shadow account and program sponsor group account pending adjudication.

RESPONSE TO THE EXAMINER’S OFFICIAL NOTICE STATEMENT

In paragraph 3 of the Examiner’s rejection, the Examiner takes “Official Notice” that the “concept of holding accounts is old and well known in

accounting practice, and that with a smart card it is simple matter to fund the initial account balance from one source (group) account and to reimburse (replenish the card for specific expenditures from a different sources account (flexible spending account) and to track the provider code (merchant category code) to qualify transactions, and to screen the providers by that code.” Initially, applicant would like to point out that the Examiner has not rejected any claims under this “Official Notice”. Applicant, nonetheless, will address the Examiner’s statements. Applicant does not dispute the existence of “smart cards”. But, not only has the Examiner mischaracterized what a “smart card” is, the Examiner has associated applicant’s invention with smart cards when applicant’s invention is not related to smart cards. As discussed above, smart cards, by definition, hold a stored cash value and are not linked to an account. Therefore, not only does applicant dispute the Examiner’s use of an Official Notice involving smart cards when applicant’s invention does not involve smart cards, applicant requests the Examiner provide specific factual findings to support his conclusions.

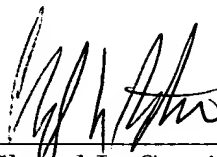
The Examiner further states in this paragraph that “given the existence of a law that severely penalizes an erroneous final posting of a transaction into a specific account (flexible spending account), it would have been only commonsense and obvious to use a temporary holding account for that transaction until it had been verified before posting the transaction to the final account.” Applicant submits the Examiner is again using impermissible hindsight. The fact that the solution to a problem appears to be simple to the Examiner, when viewed in retrospect, does not mean the solution was obvious when it was made. Applicant disputes that applicant’s solution would have been “commonsense” and again requests the Examiner provide specific factual findings to support his conclusions.

The instant application is now believed to be in condition for allowance, and, therefore, an early issuance thereof is kindly solicited. If the

Examiner believes that a telephone interview would be beneficial to advance prosecution of the instant application, the Examiner is invited to contact the undersigned at the telephone number listed below.

Respectfully submitted,

Dated: March 21, 2005

By 

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